



Derby City Council

COUNCIL CABINET
08February 2017

Report of the Leader of the Council

ITEM 17

Quarter 3 Capital Budget Monitoring 2016/17 – 2018/19

SUMMARY

- 1.1 This report provides details of the revised financial position for the 2016/17 Capital Budget for Quarter 3. This is in line with the agreed strategy of reporting capital monitoring figures on a monthly basis to Chief Officer Group and on a quarterly basis to Cabinet for approval and action as necessary.
- 1.2 Thereport highlights a Capital programme of £55,873,000for 2016/2017, after reflecting revisions to the Capital programme of (£9,255,000).The changes required are shown in table 1 of section 4 and detailed in Appendix 2. Significant changes over £200,000 are also detailed by strategy area and scheme in section 4.5 -4.13
- 1.3 A future year's indicative programme for 2017/18 – 2019/20 report is also included within this agenda.
- 1.4 A revised funding position is shown in Table 4 section 5.

RECOMMENDATION

- 2.1 To approve the changes and additions required to the 2016/17 capital programme as detailed in Appendix 2.
- 2.2 To note the revised programme for 2016/17 in table 1.
- 2.3 To note the changes to 2016/17 capital funding as detailed in Table 4Section 5.
- 2.4 To accept the award of £200,000 from the Homes and Communities Agency as detailed in 4.11.

REASONS FOR RECOMMENDATION

- 3.1 To update Cabinet of the Council's revised capital programme as at quarter 2.
- 3.2 To comply with the agreed strategy of reporting capital budget monitoring figures on a monthly basis to Chief Officer Group and on a quarterly basis to Cabinet for approval and action as necessary.

- 3.3 To comply with the Council's Contract and Financial Procedure rules regarding approval for proposed changes to the capital programme.

SUPPORTING INFORMATION

4 UPDATE ON CAPITAL BUDGET 2016/17

4.1 The latest capital programme totals £54,997,000 for 2016/17 which includes revisions of (£9,255,000) since the last reported position at July Cabinet. This gives a variance to the original indicative programme of £51,228,000. A lot of this variance is down to the slippage (£25,000,000) of the waste plant.

4.2 Delivery of the 2016/17 Programme

The capital programme consists of a number of capital schemes across 9 programme areas. The programme is currently on target to deliver 51.77% of schemes on time and within budget.

4.3 Revised Capital Programme 2016/17

4.4 Table 1 provides a summary of the revised capital programme with changes totalling (£9,255,000). The quarter 2 position of £65,877,000 forms the baseline on which the 2016/17 outturn position will be performance measured.

Table 1: Summary of Revised Capital Programme

Strategy Area	Original programme 2016/17 £000s	Revised Capital Programme Baseline Quarter 1 £000s	Revised Capital Programme Baseline Quarter 2 £000s	Approved Slippage and revisions to January 2017 Cabinet £000s	Latest Approved capital programme £000s	Further Revisions £000s	Revised Capital Programme Baseline Quarter 3 £000s
Schools	8,957	5,991	5,819	(15)	5,804	(103)	5,701
Highways and Transport	10,454	7,729	7,884	58	7,942	(262)	7,680
Property Improvement	5,920	9,685	8,580	(535)	8,045	(2,227)	5,818
Vehicles Plant and Equipment	26,494	25,642	670	0	670	0	670
Flood defence	11,163	13,366	13,381	0	13,381	(4,032)	9,349
Regeneration	17,747	12,185	11,563	(810)	10,753	(1,746)	9,007
Housing General Fund	2,429	2,939	2,939	0	2,939	(445)	2,494
HRA	22,561	15,007	14,978	(324)	14,654	(300)	14,354
ICT	500	828	806	0	806	(140)	666
Sub Total Programme	106,225	93,371	66,619	(1,625)	64,994	(9,255)	55,739
Less Devolved		(779)	(742)	0	(742)		(742)
Total programme	106,225	92,592	65,877	(1,625)	64,252	(9,255)	54,997

4.5 Schools

The Schools capital programme requires net changes of (£103,000) as detailed in Appendix 2.

4.6 Highways and Transport

The Highways and Transport capital programme requires net changes of £262,000 as detailed in Appendix 2.

4.7 Property Improvement

The Property Improvement capital programme requires net changes of (£2,227,000) as detailed in Appendix 2. A summary of the significant changes are listed below...

- A large proportion of the budget has been slipped as a precautionary measure. Approximately £1,400,000 of the work is planned to be completed by the end of March, but because completion is planned for the last week in March, there is some risk of completion. Madeley Centre – Fire Risk Assessment Works - £130,000 has slipped due to the requirement to undertake further investigations of the building before we can proceed with the work.
- Original budget estimates were made for the Children's Homes schemes several years ago. Since then, an upturn in the construction industry has led to contractors being able to be more selective which in turn has increased prices. Following approval of the £222,000 increase requested in this report, project delivery has been reviewed with the contractor and as a result £200,000 is required to be slipped as there is a risk that scheme completion could slip into May 2017. The project should have started on 7th November 2016 but it was delayed until the 5th December 2016 as a result of the extended tender analysis process.
- £200,000 slippage for the 2 schemes of Chapel Street car park and Assembly rooms car park as the installation of security gates at both sites as part of the project will slip into April. This is due to a longer lead in time to obtain the gates than expected.
- £85,000 slippage for the Energy Efficiency Projects Multi Storey Car Parks due to resource issues.

4.8 Vehicles Plant and Equipment

The Vehicles Plant and Equipment capital programme requires no net changes.

4.9 Flood Defence

The Flood Defence capital programme requires net changes of £4,032,000 as detailed in Appendix 2. A summary of the significant changes are listed below...

- Numerous design changes and consequential alterations to the planning consent due to Roman archaeology finds and the results of underground surveys which have delayed some construction operations.
- Securing the agreement and approval of statutory consultees and landowners due the sensitive nature of the works in the vicinity of a main river and scheduled ancient monument has impacted on the delivery timeframe. Changes to consenting processes during the scheme have not helped.
- The risk and inflation figure has also been amended which was contained in the forecast at the end of 2015/16. As works have been delayed, the risk amount involved in undertaking these delayed works moves with them. The value of this element is £1.85m which has not been expended

As part of OCOR's monthly forecast review process, the out-turn figure for 16/17 has slipped further by approx. £938k. Therefore the slippage total at January 2017 has been updated to £3,969,000.

This revised forecast is largely due to complications with the pile design around some of the major utilities which are present in the scheme. This complex work has delayed progress of the installation and pushed it further back in the programme. This element is valued at £552k. The other slipped costs are comprised of works forecast to the northern end of the OCOR project, the multi-user riverside pathway in Darley Park and the complexities around the replacement sports provision at Darley Playing Fields within the constraints of the Scheduled Monument.

OCOR is a very complex, major civil engineering project and changes do inevitably occur, however the project is still progressing well and the first sections of new flood defence walls and first flood gates are due to be completed in Spring 2017. It's important to note that the overall target date for completion of package 1 works has not changed. Officers continue to work closely with the Package 1 works construction company to define the up to date and accurate forecast for expenditure in 2017/18 on a month by month basis.

4.10 Regeneration

The Regeneration capital programme requires net changes of (£1,746,000) as detailed in Appendix 2. A summary of the significant changes are listed below...

- £200,000 slippage on the Becketwell scheme. The site assembly phase of the project has taken longer than forecast due to negotiations with third parties, resulting in some re-profiling to 2017-18
- £350,000 slippage on the T12 scheme. There are a number of small work packages still to be delivered to complete this scheme that will now be delivered in 2017-18 not 2016-17. There are a number of reasons for these changes including delays to agreements with service providers because of on-going negotiations, delays to legal agreements which impact on this scheme.
- £500,000 slippage on the Victory Road scheme. This is due to the extended negotiations leading to delays in signing the legal agreements and construction contract.
- £190,000 slippage on the Access Osmaston scheme. The design stage of this project has taken longer than forecast as some elements of the design proved more complex than originally anticipated. As a result, the contractor is not expected to start on site until March 2017.
- £220,000 reduction in ERDF funding available for the innovation centre.

4.11 Infinity Garden Village

The HCA have recently announced an award of £200,000 from their Locally-Led Garden Villages, Towns and Cities programme to a partnership project between South Derbyshire District Council and Derby City Council. It is expected that the grant will fund works to develop an outline scheme design and planning application, including survey work, staff costs, planning fees, design fees and traffic modelling. Discussions are underway with SDDC and the HCA to finalise eligible costs and to structure the delivery approach for the project, including who will be the Accountable Body and the associated contractual arrangements required.

Derby City Council's involvement does not require any DCC match funding or financial commitment to the project, other than officer time and resources, which would be funded by the HCA grant.

Cabinet approval is sought to accept the Garden Villages grant and delegate authority to the Strategic Director of Communities and Place and the Director of Finance, in consultation with the Cabinet Member for Regeneration to sign any grant agreements or Service Level Agreements required to draw down funding for the costs incurred by Derby City Council linked with this project.

4.12 Housing General Fund

The Housing General Fund capital programme requires net changes of (£445,000) as detailed in Appendix 2. A summary of the significant changes are listed below....

- £170,000 slippage for the Affordable Housing scheme. This is because construction start on site has been delayed into the new financial year. Detailed design is taking slightly longer in order to accommodate revised internal specification to the adapted dwellings.

4.13 HRA

The HRA capital programme requires net changes of (£300,000) as detailed in Appendix 2. A summary of the significant changes are listed below....

- £250,000 reduction to the Estates pride scheme. A reduction to the capital programme is required as the spend identified is of a revenue nature.
- £220,000 reallocation from the new build budget to a specific new build scheme for Watson Street.
- £250,000 slippage to the Perth Street new build scheme because construction start on site is being delayed into the new financial year. This is due to detailed design taking slightly longer in order to accommodate revised internal specification to the adapted dwellings.
- £450,000 addition for a new build scheme at Watson Street.

4.14 ICT

The ICT capital programme requires net changes of (£140,000) as detailed in Appendix 2.

4.15 Revised Programme 2017/18- 2019/20

A new three year programme for 2017/18 – 2019/20 has been created and is also being presented on this Agenda. The 2017/18 programme includes slippage taken account of in this report from 2016/17.

5. Capital funding

5.1 Table 4 provides a revised funding position for the 2016/17 capital programme to take account of the changes detailed above.

Table 4- Revised Funding Position – 2016/17

Funding Source	Original Approved capital Programme £000s	Revised programme at Quarter 1 £000's	Revised programme at Quarter 2 £000's	Slippage and revisions £000s	Latest Approved capital programme £000s	Further Revisions £000s	Revised programme at Quarter 3 £000's
Supported Capital Expenditure (Capital)	10,359	10,532	10,716	(51)	10,665	(2,047)	8,618
Unsupported Borrowing							
Corporate	42,059	41,255	18,091	(145)	17,946	(4,417)	13,529
Service Financed	6,699	1,132	847	(333)	514	(234)	280
Government Grants	21,639	18,775	15,791	(441)	15350	(1,879)	13,374
Housing Major Repairs Allowance	21,406	13,926	13,807	(324)	13,483	(300)	13,183
Capital Receipts	290	2,544	2,382	(150)	2,232	135	2,367
External Contributions	487	1,510	854	35	889	105	994
Lottery	397	0				0	0
S106 External Contributions	1,316	1,516	1,437	(56)	1,381	(257)	1,124
RCCO	248	1,261	2,000	(175)	1,825	(234)	1,591
Service Reserves	162	245	95	35	130	(30)	100
Capital Reserves	510	676	600	(21)	579	0	579
TOTAL	106,225	93,371	66,619	(1,625)	64,994	(9,255)	55,739
Less Devolved		(779)	(742)	0	(742)		(742)
Total Funding	106,225	92,592	65,877	(1625)	64,252	(9,255)	54,997

5.2 The devolved formula funding has been deducted from the above table as it is not the council's responsibility to spend the funding it is devolved to schools. The net changes are due to the following larger movements:

5.3 Supported Capital Expenditure (Capital)

The reduction in the SCE C is due to the slippage on the property, regeneration, Highways and transport and ICT programme.

5.4 Corporate Borrowing

The reduction in the corporate borrowing is mainly due to the slippage on the Our City Our River scheme and some minor slippage on the schools and property programme.

5.5 Service Financed Borrowing

The reduction in the service financed borrowing is due to funding amendments made within the regeneration programme following a funding review and slippage on the energy efficiency project for the multi storey car park.

5.6 Government Grants

The reduction in Government Grants is mainly due to slippage and funding amendments on the regeneration programme and slippage within the property programme.

5.7 Major Repairs Allowance (MRA)

The reduction in the MRA is due to the slippage on the new build schemes.

5.8 RCCO

The reduction in RCCO's is due to the slippage on the property programme.

5.9 S106

The reduction in S106 contributions is due to slippage on the property and highways and transport programmes.

OTHER OPTIONS CONSIDERED

6.1 None

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	 Toni Nash – Head of Finance Martyn Marples – Director of Finance & Procurement
For more information contact: Background papers: List of appendices:	Nicola Goodacre 01332 643352 e-mail nicola.goodacre@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Summary of further changes to the capital programme 2016/17

IMPLICATIONS

Financial and Value for Money

- 1.1 As detailed in the report.

Legal

- 2.1 Under Section 28 of the Local Government Act 2003 the Council must review its performance against budget and, if there has been deterioration in its financial position, must take appropriate action to deal with the situation.

Personnel

- 3.1 None directly arising.

IT

- 4.1 None directly arising.

Equalities Impact

- 5.1 It is important that any regeneration and maintenance schemes, including schools, in the city liaise closely with the Disabled People's Diversity Forum and the Lead on Equality and Diversity to make sure access for disabled people is built in at the design stage to save costs later on.

Health and Safety

- 6.1 None directly arising.

Environmental Sustainability

- 7.1 None directly arising.

Property and Asset Management

- 8.1 None directly arising.

Risk Management

- 9.1 All projects are run using the Prince 2 methodology and carry individual risk registers. All risk implications are reported and monitored on a monthly basis at the Strategic Asset Management Board.

Corporate objectives and priorities for change

- 10.1 These recommendations where relevant are in line with approved capital strategy and Asset Management Plans which accord with the Council's corporate priorities.

Appendix 2

Summary of further changes to the capital programme 2016/2017	Latest Approved Capital Programme 2016/17 £000	Revised Capital Programme 2016/17 £000	Change £000	Category
Schools				
Bemrose Secondary School - Sports Hall	70	65	-5	R2
Ivy House Special School - Boiler replacement	96	101	5	R2
Bemrose Secondary School - Secondary Expansion	280	180	-100	S
Schools Access Initiative	3	0	-3	S
Total Changes to the Schools Programme	449	346	-103	
Highways & Transport				
Intelligent Transport Systems Maintenance	229	161	-68	S
Public Transport	195	183	-12	S
Cycle Derby	73	58	-15	S
Highways Maintenance	2,312	2,251	-61	S
Strategic Network Management	713	607	-106	S
Total Changes to the Highways and Transport Programme	3,522	3,260	-262	
Property Improvement				
Ashtree House Replace boiler and heating system	10	0	-10	R
Market Hall Install emergency lighting	91	0	-91	S
Energy Efficiency Projects Multi Storey Car Parks	85	0	-85	S
Lift Refurbishment and Improvements - Market Hall dock leveller	32	65	33	R

Classification: OFFICIAL

Lift Refurbishment and Improvements - Market Hall dock leveller	65	0	-65	S
Various sites water hygiene improvements	60	30	-30	S
Alvaston Park BMX track refurbishment	37	20	-17	S
Normanton Park Improvements	122	85	-37	S
Dale Road Spondon Improvements	56	40.5	-15.5	S
Arkle Green	70	10	-60	S
Parks - Chellaston Open Spaces for the purchase and installation of St furniture including lighting	0	17.5	17.5	A
HOP FRA project	64	119	55	R
Warwick House Replace stair lift	173	88	-85	S
Leisure Centre Strategy	51	8	-43	R
Accommodation Strategy	24	0	-24	S
Queensferry Gardens Children's Home refurbishment	452	674	222	R
Queensferry Gardens Children's Home refurbishment	674	474	-200	S
Children's Homes refurbishments	50	15	-35	R
Darley Playing Fields Renewing boiler	90	0	-90	S
Connecting Derby residual costs	50	20	-30	S
Springwood Leisure Centre - FRA Works	20	43	23	R
Arboretum park -Boundary Wall Repairs	26	0	-26	S
1 Abbey Yard - Boundary Wall Repairs	20	0	-20	S
King George V Changing Rooms -FRA Works	15	31	16	R
Bramblebrook Community Centre - FRA Works	20	43	23	R
Madeley Centre - FRA Works	130	0	-130	S
Ashtree House New fire doors, fire resistant glazing and fire barrier	47	68	21	R
Ashtree House New fire doors, fire resistant glazing and fire barrier	68	34	-34	S
Bold Lane Car Park Replace passenger lift ropes, doors and door gear	58	0	-58	S
Chapel Street Car Park Refurbishment of passenger lift	59	0	-59	S
Chapel Street Car Park Introduction of a secure access system and other security measures.	250	150	-100	S
Assembly Rooms Car Park Roofing Repairs	150	159	9	R

Assembly Rooms Car Park Introduction of a secure access system and other security measures.	250	150	-100	S
Market Hall Replace high level glazing to the doomed roof section including the end glazed section	50	6	-44	R
St Werburghs, Spondon rebuilding and improvement	200	137	-63	R
St Werburghs, Spondon rebuilding and improvement	137	7	-130	S
Guild Hall Roof repairs	124	62	-62	S
Arboretum Park Heart of the Park Building Refurbishment of bespoke sliding patio doors and rain water goods	70	35	-35	S
Crematorium Rebuild 50m section of retaining wall and relaying of 200m of uneven footpath.	135	5	-130	S
Preliminary Design 2017/18	130	15	-115	R
Guildhall FRA and H&S Works	160	74	-86	R
Equalities Act Improvements - Stores Road Access	25	32	7	R
Guild Hall Passenger lift refurbishment	47	101	54	R
Guild Hall Passenger lift refurbishment	101	0	-101	S
Market Place Structural survey	20	0	-20	S
Planned Maintenance	113	135	22	R
Planned Maintenance	135	45	-90	R
Planned Maintenance	45	0	-45	S
Rycote - FRA works including compartmentation	120	0	-120	S
Museum and Art Gallery - fire screen	30	0	-30	S
Silk Mill Museum - EVCs and refuges in staircase	55	0	-55	S
Chellaston Community Centre - elemental replacement including works arising from FRA distribution and façade retention and development	20	0	-20	S
Audley Centre Bridge - traffic control measures and steel reinforcements to barrier	100	50	-50	S
Various sites Buildings at risk	89	0	-89	R
Total Changes to the Property Improvement Programme	5,275	3,048	-2,227	

Flood Defence				
Cotton Brook Flood Alleviation	111	48	-63	S
OCOR	13,131	9162	-3,969	S
Total Changes to the Flood Defence programme	13,242	9,210	-4,032	
Regeneration				
Friargate Bridge	93	43	-50	S
Townscape Heritage initiative	75	0	-75	S
Becketwell	2629	2429	-200	S
St Alkmunds Bridge	46	0	-46	S
Marble Hall	110	100	-10	S
T12 Phase 1	2246	1896	-350	S
Victory Road	563	63	-500	S
City Centre Living	374	374	0	N/A funding change Unsupported Borrowing Service Financed to capital receipts
Recycled DEGF	70	70	0	N/A funding change External Contributions to Capital Receipts
iHub Plot Preperation	140	140	0	N/A funding change Government Grants to External

				Contributions
Creative Pathways	25	16	-9	S
Mackworth War Memorial	15	1	-14	S
Access Osmaston	290	100	-190	S
Innovation Centre	530	310	-220	R1
Darley Abbey Mills	82	0	-82	S
Total Changes to The Regeneration Programme	7,288	5,542	-1,746	
Housing General Fund				
Empty Homes Assistance and Compulsory Purchase	235	175	-60	S
Healthy Housing Assistance	170	120	-50	S
Affordable Housing	200	30	-170	S
Healthy Housing Assistance	120	120	0	N/A funding change Government Grants to RCCO
Disabled facilities Grants	1,599	1,504	-95	S
London road refurbishment project	90	20	-70	S
Total Changes Housing General fund	2,414	1,969	-445	
HRA				
Estates Pride	500	250	-250	R1
New build & Acquisitions	520	300	-220	R1
Perth NB	400	150	-250	S
Watson Street	0	450	450	R1
Richmond Road	100	40	-60	S
Berwick Close for the build of a specialist bungalow	0	30	30	A
Total Changes to The HRA Programme	1,520	1,220	-300	

ICT				
Hardware Stabilisation	532	392	-140	S
Total Changes to The ICT Programme	532	392	-140	
TOTAL CHANGES TO PROGRAMME	34,242	24,987	(9,255)	
		Key of Categories		
		A	Additional schemes from new funding secured	
		A1	Scheme increase funded by previous years' reserves income	
		S	Re-phasing	
		R1	Other Adjustments - Scheme Reductions/Increases	
		R2	Re-allocated Within Departments Programme	
		R3	Re-allocated To Different Departments Programme	

